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September 27, 2005

EX PARTE

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

RE: In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45,

Dear Ms. Dortch:

On September 26, 2005, Kathleen Grillo, Katherine O'Hara, and Ed Shakin of Verizon and Anne Hoskins of Verizon Wireless met with Tom Navin, Cathy Carpino, Jeremy Marcus, and Carol Pomponio of the Wireline Competition Bureau regarding the above-referenced proceeding. The attached presentation formed the basis of the discussions.

Pursuant to Section 1.1206(b) of the Commission's rules, one electronic copy of this notice is being filed in the above-referenced proceeding.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Grillo".

Attachment

cc: Tom Navin
Cathy Carpino
Jeremy Marcus
Carol Pomponio

Universal Service Contribution

September 26, 2005



Important Considerations

- If the Commission adopts a numbers-based contribution methodology, it must be fair, competitively neutral, assess all providers of voice services (including VoIP), and easy to administer.
- Any numbers-based plan must ensure companies have the ability to recover their USF contributions from end users.
- Any new plan must address the unique circumstances of certain classes of carriers.
 - Wireless “Family Share” Plans
 - Prepaid Wireless Companies
 - Customers who purchase services with large blocks of telephone numbers

Telephone Numbers In Use

- Only “telephone numbers in use” should be assessed.
 - “telephone numbers in use” are numbers that a company provides to an end user that provide the ability to receive calls.
 - Must develop a mechanism that assesses the company with the retail relationship to the end user rather than the company that reports the number as “assigned” in its NRUF report.
 - NRUF “assigned” category contains numbers for which another company has a retail relationship with the end user.
 - Examples: telephone numbers provided to resellers and UNE-P providers, “ported out” numbers.
- Using only assigned numbers on NRUF reports is impractical because:
 - companies do not always have a relationship with the end user for every number in the “assigned” category on NRUF; and
 - assigned numbers are not always “in use.”

Unique Categories of Services

➤ **Wireless Family Share Plans**

- Wireless customers are increasingly purchasing shared- minute or “family share” plans to provide affordable wireless communications for their families. Family share plans offer a common bucket of minutes for multiple handsets (numbers).
 - Proposal: Assess the primary number in a family share plan the full per-number rate. Assess all related secondary numbers at 50%.
 - “Secondary number”-- any number that shares the same bucket of minutes with a primary number.
- **Fairness** -- \$1.00 or higher charge on a secondary number is excessive, particularly when combined with other taxes/fees.
- **Security** -- Family share phones provide “lifeline” type connectivity for many family members (*i.e.*, children and elderly).
- **Economics** -- “Elastic” demand for wireless service. Customers will curtail purchases of family share lines if fees are too high.
- **Sustainability of the Fund** - if a family decides against adding another number to their family share plan, the USF will get \$0, instead of \$.60 per month under a secondary number assessment.

Unique Categories of Services (con't)

➤ **Prepaid Wireless**

- Prepaid wireless providers state they serve low volume, low usage customers (elderly, teenagers, low income).
- 50% assessment recognizes the lower amount of interstate usage for these services and also helps mitigate “rate shock” to this customer base.

➤ **Lifeline customers**

- Lifeline services should not be assessed a full unit charge.

Rate Shock to Business Customers

- Any numbers-based plan must also minimize rate shock to customers that purchase large blocks of numbers.
 - Under a pure numbers-based plan, customers that purchase large blocks of numbers will experience significant “rate shock.”
 - Many such customers are state and local governments, educational institutions.
- Must exclude numbers provided to Centrex or other business customers that are not “in use”:
 - i.e., dedicated NXX codes or number blocks provided to a customer but not in use by that customer.
- Allow companies flexibility to recover contribution costs across different classes of business customers.

Services Not Packaged or “Bundled” with a Telephone Number

- Services such as special access services and calling card services are not likely to use a telephone number and are unlikely to be packaged or “bundled” with other services that use a telephone number.
- Continue the current assessment based on interstate retail revenues, in the same proportion as they are assessed today.
- Capacity based “tiers” are bad public policy.
 - The market is producing faster and faster connections at attractive prices.
 - Systems that “tax” these faster connections at higher rates will penalize providers for providing more advanced services. Policy should encourage not discourage these developments in the market.

Broadband Services Should Not Be Assessed

- Broadband services should not be assessed.
- Broadband customers will still pay into the fund because they will be assessed for the numbers they use, whether for traditional voice, VoIP or some other technology.

Other Issues

- Industry will require at least a one-year implementation period.
 - Companies will need to make significant modifications to billing systems.
 - Commission will need to develop a reporting system or significantly modify the current NRUF reporting system in order to assess directly companies providing telephone numbers to end users.
 - Modifications will be required to Form 499 and other USAC procedures.
- The Commission should assess telephone number equivalents to capture VoIP providers or others that may move away from telephone numbers.